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# The Evolution of Business: Cultivating Flourishing for Organizations and Their Stakeholders

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## **Abstract**

Both biological and cultural evolution are delineated by dual, ongoing processes of differentiation and integration. Companies labeled as Firms of Endearment whose social consciousness blurs the distinction between for-profit and not-for-profit sectors, represent the positive deviants of evolution among organizations. The ongoing process of evolution creates non-zero-sum relationships that enable sustained organizational success while cultivating the flourishing of all stakeholders. By exploring the positive psychology and positive organizational scholarship research that can illuminate the mechanisms behind the success of these positive deviants, organizations can learn to evolve themselves through a process of differentiation and integration, while overcoming the trust and communication barriers to such progress.

## **Keywords**

Evolution, Positive Organizational Scholarship, Positive Psychology, Organizational Culture, Stakeholders, Conscious Capitalism, Flourishing Organizations, Flourishing Business

## **Disciplines**

Business Administration, Management, and Operations | Leadership Studies | Organizational Behavior and Theory | Organizational Communication | Psychology | Social and Cultural Anthropology

The Evolution of Business: Cultivating Flourishing for Organizations and their Stakeholders

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Advisor: Raj Sisodia, Ph.D.

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The Evolution of Business: Cultivating Flourishing for Organizations and their Stakeholders

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Abstract

Both biological and cultural evolution are delineated by dual, ongoing processes of differentiation and integration. Companies labeled as Firms of Endearment whose social consciousness blurs the distinction between for-profit and not-for-profit sectors, represent the positive deviants of evolution among organizations. The ongoing process of evolution creates non-zero-sum relationships that enable sustained organizational success while cultivating the flourishing of all stakeholders. By exploring the positive psychology and positive organizational scholarship research that can illuminate the mechanisms behind the success of these positive deviants, organizations can learn to evolve themselves through a process of differentiation and integration, while overcoming the trust and communication barriers to such progress.

## **Introduction**

### **The History of Positive Psychology**

A tectonic shift occurred in the field of psychology when the prevailing assumption that people were products of their environments began to unravel. While it was once believed that human action was directed either by internal drives or external events, the favored explanations began to change radically in 1965 in favor of a proposition that self-direction, rather than outside forces, could explain human action (Seligman, 2006). The notion that the self could improve itself thus heralded the new era of cognitive psychology (Seligman, 2006).

Building on the cognitive psychology tenet of self-direction, Seligman theorized that explanatory style, or the way that an individual explained and rationalized past events, could have important implications for an individual's inclination towards either depression or wellbeing (Seligman & Peterson, 1984). While a pessimistic explanatory style could make an individual prone to depression, an optimistic explanatory style was correlated with positive outcomes including resilience, wellbeing and even physical health (Seligman et al., 1988). Perhaps more importantly, he was also able to show that explanatory style could be changed (Seligman & Maier, 1976).

Around the same time that cognitive psychology was developing, the sub-field of humanistic psychology was emerging under the leadership of Abraham Maslow and Carl Rogers, who emphasized an individual's inherent drive to realize one's full potential. There had originally been 3 distinct aims to the field of Psychology: curing mental illness, making people's lives more fulfilling, and recognizing and developing talent. After World War II, however, the Veterans Administration was established and psychologists discovered that they could earn a

living treating the mental illnesses of veterans (Seligman & Csikszentmihalyi, 2000). While this led to many breakthroughs, including curing or relieving several diseases previously believed to be intractable, the field effectively dismissed its other aims of fulfilling lives and nurturing talent. Although humanistic psychology attempted to rectify this imbalance, it ultimately languished due to a lack of empirical rigor, which spawned countless treatments of dubious validity and damaged its reputation (Seligman & Csikszentmihalyi, 2000).

Positive psychology similarly endeavors to rebalance the field of psychology. As president of the American Psychological Association in 1998, Martin Seligman made it the main undertaking of his presidential year to establish a new focus on the positive within the field of psychology that would create such a balance (Seligman, 2002). He wanted to remind the field that psychology was not just the study of pathology but also the study of strength and virtue. Additionally, he built upon the then-current research trends for prevention to acknowledge that the major strides in prevention had not been from correcting weaknesses but rather from systematically building competencies of courage, optimism, hope and work ethic, among many others (Seligman & Csikszentmihalyi, 2000). While there were pockets of research in this area, positive psychology was intended to unite these independent researchers under a unified umbrella. Importantly, the aim of positive psychology was not to replace the concern for treating disease, but instead to insist that human goodness and excellence were equally as authentic as disease and therefore as worthy of study (Peterson, 2006). He believed that the same methodologies that had made such significant strides in treating disease could also be used to uncover strategies for building strength and virtue to help people understand what makes life worth living (Seligman, 2002).

In addition to learning from the past by insisting on scholarly rigor, positive psychology was well timed to capture the zeitgeist of the new millennium. While there are clearly still problems in the world, by many measures industrialized societies are better off than ever before (Easterbrook, 2003). Most of us enjoy ample resources and unprecedented freedom. Once people's basic needs are met and threats are subdued, it is only natural that we return to the age old questions of what makes a good person and a good life (Diener, 2009).

### **Progress in positive psychology**

Recognizing the influence that the *Diagnostic and Statistical Manual of Mental Disorders of the American Psychiatric Association (DSM)* had had on the field in creating a standardized classifications for diseases to enable systematic study and treatment, Seligman convened researchers to create a corresponding classification of strengths and virtues that would enable similarly systematic investigation (Seligman, 2002).

Additionally, Seligman and Csikszentmihalyi, among others, created a construct for happiness that included the pursuits of the “pleasant life” of positive emotions, the “good life” by using signature strengths every day to produce engagement and the “meaningful life” through an attachment to something larger than oneself (Seligman, 2002). Later, Seligman discerned that positive emotion is largely social and relationship-oriented. He also acknowledged the work of Wilson and Wilson (2007), which indicated that the group is a primary unit of natural selection whereby cooperative groups outcompete less cooperative groups. This evidence persuaded him to add positive relationships to the model. Finally, he recognized that accomplishment is often pursued for its own sake even when it does not bring positive emotion, meaning or positive relationships. Thus, Seligman came to see his original theory for *happiness* as one-dimensional

and instead advanced a new theory of *wellbeing* as the centerpiece of positive psychology, which included the five measurable elements of Positive emotion, Engagement, Relationships, Meaning and Achievement, or PERMA (Seligman, 2011). While happiness is one element of wellbeing and is a useful subjective measure, wellbeing cannot exist merely in one's head. Thus, wellbeing theory specifies that we choose our course in life by maximizing all five elements using functional measures that are both subjective and objective (Seligman, 2011). It is important to note that other constructs for measuring wellbeing have emerged (e.g. Prilleltensky et al., 2015), but what remains as the main goal of positive psychology is to measure and build human flourishing.

### **Developments in positive organizational scholarship**

As it was originally conceived, the field of positive psychology was delineated into three related topics: positive subjective experiences including happiness, pleasure and fulfillment; positive individual traits such as talents, character strengths and virtues; and positive institutions ranging from family units and communities to businesses or even society as a whole (Peterson, 2006). This implies that such institutions facilitate the development and display of positive traits and subsequent positive subjective experiences (Peterson & Park, 2003). Emerging from this third area of study was the field of positive organizational scholarship.

While positive psychology focused on the study of optimal psychological states for individuals, positive organizational scholarship (POS) took the parallel path of examining the generative dynamics in organizations that develop human strength, resiliency and cultivate extraordinary performance both for individuals and the organizations themselves (Cameron & Spreitzer, 2012). Unlike psychology, however, this was not in an effort to counterbalance a



focus on organizational failure and decline since organizational research had overwhelmingly focused on growth. Instead, the intended result of POS was to complement the focus on profitability, problem solving, competitive advantage and efficiency with an exploration of the virtuous organizational outcomes such as psychological and social wellbeing that were argued to be equally valid and worthy of study (Cameron & Spreitzer, 2012).

Like positive psychology, POS was preceded by other positively themed work that had been limited by a lack of scientific and empirical grounding (e.g. Bennis, 1963). POS uses an appreciative scholarly stance, which begins with inquiry about what is generative and life-giving in an organizational system and an appreciation of the way that this is working and the outcomes it produces. This intentional, explicit use of a “positive lens” looks for examples of uncommon success, termed positive deviance, and attempts to discern the strategies that enable such success (Dutton, Golden-Biddle, & Feldman, 2012). This is a meaningful pursuit because positive conditions produce a “heliotropic effect,” whereby all living systems are attracted toward that which is positive, or life-giving, and away from that which is negative, or life-depleting (D’Amato & Jagoda, 1962). This is a well-documented phenomenon in nature, in which the sun often serves as the life-giving force. Similarly, POS postulates that the dynamics of virtue in individuals and organizations are positive and life-giving forces that compel individuals to build upon each other and create a self-reinforcing cycle (Cameron & Winn, 2012). Wilson and Wilson (2007) recognized that the group is a primary form of natural selection and subsequently asserted that a cooperative group provides a substantial evolutionary advantage. Therefore, one would expect organizations that are positive deviants of virtue, cooperativeness and life-giving force to not only outcompete organizations of comparatively less virtue, but perhaps even to drive the evolution of our society and ourselves.

### **Conscious Capitalism**

Sisodia, Sheth and Wolfe (2007) set out to write a book exploring how marketing had lost its way. Despite consuming an increasing share of resources, it was delivering less by way of customer satisfaction and loyalty. However, as they shifted their focus toward the companies that spent less but achieved more with marketing, evidence mounted that it was those firms who built strong relationships with all stakeholders that best served customers and earned their loyalty. By studying such positive deviants, Sisodia, Sheth and Wolfe (2007) followed a fundamentally POS approach. Further, they theorized that we are at the dawn of an “Age of Transcendence,” exemplified by a transition from material want to a meaning want on an unprecedented scale, which echoed Diener’s (2009) rationale for the growth of positive psychology.

The dual forces generating this monumental shift in consciousness were an aging of the population and the rise of the internet. It was discovered that a sudden increase in longevity 30,000 years ago created a population explosion such that for the first time in human history many individuals were growing up with grandparents, whose influence moderated the aggressive behavior of youth. The subsequent reduction in tribal warfare created an extraordinary acceleration of cultural development. It may be a similar phenomenon today that is driving the search for meaning and compassion as the number and proportion of older adults reaches unprecedented levels. Along with the shift from physical or materialistic influences to metaphysical influences comes a ebbing of the overemphasized focus on rationality to include more emotional and subjective experience (Sisodia et al., 2007). Running parallel to this demographic shift is the proliferation of the internet, which has democratized information flow while also changing the way that people interact with each other and with companies. No longer

do consumers have to depend on marketers or salespeople to tell them about a product or company. This radical transparency has fundamentally altered the relationship of companies to their stakeholders (Sisodia et al., 2007).

Freeman (1984, p.46) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives,” which included shareholders as well as employees, customers, suppliers and society. He urged a balancing of the needs of all stakeholders rather than the prevailing wisdom that endorsed a focus on maximizing shareholder returns (e.g. Friedman, 1970). In building on this theory, Sisodia, Sheth and Wolfe (2007) collected evidence in favor of a stakeholder-focused business model and its ability to develop significant and lasting competitive advantage. In accordance with the supposition of POS that virtuous, cooperative organizations would outcompete their rivals—though at the surprise of the authors—it was found that these so called “Firms of Endearment” had returns 8 times that of the S&P 500 over a 10-year period ending in 2006 (Sisodia et al., 2007). Further, when the timeline was extended to 15 years, which included the 2007-2009 “Great Recession,” Firms Of Endearment were shown to beat the S&P 500 by 14:1 (Sisodia, Sheth, & Wolfe, 2014), suggesting that virtuous organizations may also be more resilient.

As the Firms of Endearment were studied, four underlying tenets emerged from common themes in their business practices. First, in the context of the Age of Transcendence, it is important for companies to be defined by a *higher purpose* beyond just making profits that focused on the difference the company was trying to make in the world. Second, Firms of Endearment undergo *stakeholder integration* that recognizes interdependence and aligns their interests with those of their stakeholders. They develop loyal customers that serve as advocates for the brand, motivated employees who find meaning in their work, purpose-driven investors

motivated by impact and innovative suppliers that are treated as collaborative partners, all while maintaining a deference to the societal and planetary contexts within which they operated (Mackey & Sisodia, 2013). Third, *conscious leaders* embody the higher purpose of the organization, enable flourishing both for their employees and all stakeholders, and recognize that they must continue to grow and evolve in order for the organization to evolve. Finally, *conscious culture* is built on trust, love and caring while maximizing collective intelligence through decentralization and empowerment, which unleashes innovation and collaboration. The inspiration from the so-called “Firms of Endearment” has inspired a movement that has been coined “Conscious Capitalism” and has gained worldwide popularity. In order to complement the rich case studies of the Firms of Endearment (Sisodia et al., 2007; Mackey & Sisodia, 2013; Sisodia et al., 2014), I will draw on the theoretical and empirical research of positive psychology and positive organizational scholarship to attempt to delineate both the mechanisms for an evolving consciousness of business and the avenues leaders might explore to continue the evolutionary journey of their organizations and the flourishing of their stakeholders.

## **Organizational Evolution**

### **Group-Level Selection**

How might leaders go about building an organization that not only thrives as a whole but also cultivates the flourishing of all its constituents? Multilevel selection theory postulates that morality and cooperation within a tribe gives it an immense advantage over other tribes. In fact, major evolutionary thresholds occur when entities reach a level of such cooperation and coordinated action that they are endowed with the properties of a single organism (Wilson & Wilson, 2007). Although life once existed only as single-celled organisms, they eventually

exploited the evolutionary advantage of working together, crossing an evolutionary threshold that enabled them to specialize their functions and still fulfill basic needs through a mutual interdependence. Another threshold was reached in certain branches of the evolutionary tree when bees, ants and later humans created social structures dubbed as “eusocial” (Wilson, 2012) whereby group and self-interest are so well aligned that natural selection happens at the group level. Even reproduction—which for humans ensures a level of self-interest in otherwise eusocial systems—happens at the group level for the highly eusocial beehives and ant colonies. Each individual member of the group becomes specialized in its tasks, which maximizes its productivity but simultaneously makes it reliant on others in the group to execute their own specialized functions, creating a highly interdependent system (Wilson, 2012).

These “super-organisms” produced by group-level selection tend to confer such an advantage and spread so rapidly that almost all living entities are in fact groups of groups (Haidt, 2008). As humans, we are made up of many different groups of cells, each serving a specific and interdependent purpose. Muscle cells are specialized for motion and brain cells for cognition. Yet while the brain may seem like it’s own entity, a closer look reveals that that too is made up of interdependent entities and is not unlike the ant colony, each brain cell specialized like an ant, yet working collaboratively for a common goal that none could achieve alone (Wright, 2000). Likewise, a look around the biosphere reveals that most entities are in fact superordinate groups of other entities. Thus, group traits can be analyzed in a Darwinian framework (Haidt, 2006) such that a group will outcompete rival groups by showing a better ability to align an individual’s best interests with the group’s interests. This creates non-zero-sum, win-win situations in which an individual acting in their own best interest is also acting in the best interest of the group (Wright, 2000).

### **Differentiation and Integration**

The creation of an evolutionary threshold requires the dual forces of differentiation and integration. For example, globalization is the process of countries specializing in specific industries and learning to trade with each other for goods and services made by the industries in other countries, which creates a mutual reliance. This establishes non-zero-sum games where everyone is better off than if they had isolated themselves and focused on self-sufficiency (Wright, 2000). The dual processes of differentiation and integration happen at every level of natural selection. Csikszentmihalyi (1990) considers this process at the individual level, where an individual grows through a balance of differentiation and integration. One must differentiate their skills and maximize their strengths, but in specializing in a certain area, must also learn to integrate with others to satisfy their other needs. This parallels with Cooperrider and Godwin's (2011) model of positive change at the group level, which is represented by a double helix with the *elevation* of inquiry (in which strengths are appreciated and extended - differentiation) along one dimension, and *extension* of relatedness (in which strengths are combined and connected - integration), along the other dimension.

At the global level, the same principle that governs economic globalization seems to hold in the way that cultures interrelate. There is bonding, whereby we connect with those like us and build a strong and unique identity. Yet there is also a concurrent process of bridging that occurs in which relationships are built between dissimilar communities and cultures (Evans et al., 2010). As entities integrate with each other, they create non-zero-sum relationships whereby self-interest is aligned with group interest (Wright, 2000). Thus, evolution is a process of focusing on deepening strengths while learning to integrate with an ever-widening circle in order to maximize both the group's collective synergy and impact. Further, our individual wellbeing may

point the way to this group flourishing, since vital engagement occurs when there is coherence between our inner selves and the outer environment (Haidt, 2006).

### **Balancing Oppositional Forces**

While it is apparent that these two forces are present at multiple levels, it also seems counterintuitive that two seemingly competing forces can co-exist. Csikszentmihalyi (1990) goes so far as to call them opposing forces, whereby differentiation refers to a movement toward uniqueness and distinction from others while integration implies moving toward union with others. Yet these two opposing forces not only co-exist, but in fact depend on each other. A system that differentiates but fails to integrate is disorganized and unsustainable (Csikszentmihalyi, 1990). Imagine a highly specialized and differentiated software engineer trying to get basic needs met such as putting food on the table without being able to rely on integration and exchange with the entities that make up the many specialized systems within the farming and grocery industries. Alternately, a highly integrated community in which there was no specialization (i.e. every individual had to grow their own food, make their own clothing, etc.) not only stifles innovation, but also makes the integration redundant and unnecessary.

A prime example of balancing oppositional forces is in our own brains. The reptilian complex, which contains the wiring for our ego-driven emotions and cognitions, is responsible for most of our self-interested responses. The paleomammalian complex counters this tendency by producing empathic, other-interested responses, which favor the evolutionary advantages of eusociality. Finally, our neocortex is responsible for the strategic paradox of juggling these competing urges (Godfrey, 2012). As Cory (2006, p.27) asserts, “our inborn conflicting programs are a curse ... only to the degree that we fail to recognize them as a blessing.” The

reptilian complex and paleomammalian complex provide checks and balances for each other, keeping our other-interested behaviors from threatening our own survival. Although traditional business practice celebrates rational decision making, emotions cannot be eliminated from our decisions (Godfrey, 2012) and in fact, individuals who have brain damage that inhibits emotions struggle with even the simplest of decisions (Haidt, 2006). Given the prevailing wisdom in business to act in one's own self-interest, which essentially only engages the reptilian complex, positive organizational scholarship has an important role to play in complementing the traditional narrative with one that encourages a balance with our other-interested paleomammalian complex (Godfrey, 2012).

Weick (1988) contends that the retention of oppositional forces is in fact a characteristic of wisdom. Since the joint presence of opposing tendencies has survival value in multiple-contingency environments, the most successful evolutionary strategy is not a consistent expression of an intermediate state but rather an ambivalent alternation between each state (Weick, 1988). CEOs that can retain such ambivalence are more likely to be creative and adaptive, while entire collectives that are willing to hold competing thoughts may allow for collective flexibility in solving problems and acting upon them (Pratt, Fiol, O'Connor, & Panico, 2012). When organizations are able to support contradictory demands, they are said to be engaging in strategic paradox (Smith, Lewis, & Tushman, 2012). This enables the long-term sustainability of organizations through three mechanisms. First, it enables learning and creativity and in fact this capacity to juxtapose opposing ideas is said to have enabled the genius of the likes of Einstein and Mozart. Second, strategic paradox fosters flexibility and resilience through dynamic decision-making and a restructuring of goals. Finally, strategic paradox unleashes human potential because the dynamic shifting of challenge and success fosters positive energy



that can begin virtuous cycles (Smith et al., 2012). Hybrid organizations, which blur the traditional distinction between for-profit and not-for-profit companies, employ market tactics to address social and environmental issues and may benefit from leveraging the strategic paradox of for-profit and not-for-profit goals (Hoffman, Badiane, & Haigh, 2012). Many Firms of Endearment would be classified as hybrid organizations (Sisodia et al., 2014) and strategic paradox could explain some of their high performance and sustained success.

The process that results from a proper balance of differentiation and integration is a healthy increase in organizational complexity that might be called growth (Csikszentmihalyi, 1990) or evolution (Haidt, 2006; Wright, 2000; Wilson, 2012). When instead of focusing on weaknesses and being well rounded we choose to build upon individual strengths (or the concentration effects of the collective strengths of a group) we grow and evolve by building “webs of infinite strength and limitless human imagination” (Cooperrider & Godwin, 2011, p. 747). Furthering the evolutionary advantage, resilience is recognized as an ecosystem, whereby the most resilient entities have deeply integrated webs of social support to rely on during times of adversity (Reivich & Shatte, 2002). According to hive hypothesis, allowing people to lose themselves and fully become a part of the social organism builds social capital among members, an integration that enacts social support with such prosocial benefits as decreasing suicide rates, while increasing self-sufficiency has the opposite effect (Haidt, 2008). Indeed, an individual who attends to group interest over self-interest obtains a paradoxical result whereby separateness disappears and yet the self becomes stronger (Csikszentmihalyi, 1990). Therefore, not only are these evolved systems more likely to flourish under favorable conditions, they are also more likely to endure adversity, evoking the resilience shown by Firms of Endearment through the Great Recession (Sisodia et al., 2014).

**Barriers to Evolution**

While it seems advantageous to pursue strengths-focused differentiation and concurrent integration (enabling further differentiation and a virtuous cycle), it also becomes apparent not only that such cooperation often fails to materialize, but also that where it does occur, it happens sub-optimally. In these cases, the main barriers to the evolution of non-zero-sum groups are trust and communication (Wright, 2000). If we completely trusted one another to act with our collective best interest in mind and could communicate clearly and instantaneously to monitor the changing contexts and evolving needs of the group, then we would reach an evolutionary threshold by effectively operating as a fully integrated and unified organism. To return to an earlier example, although our brain is made up of billions of cells, they each carry out their own functions and can trust each other to do the same while also being able to communicate almost instantaneously, which enables the brain to operate as a unified entity rather than a mere group of cells (Wright, 2000).

As humans, being able to increase the level of trust in a group as well as the speed and clarity of communication has enabled us to create ever larger groups that benefit from non-zero-sum relationships, simultaneously increasing the resilience of the individuals and the group (Wright, 2000). There is no reason to believe that modern organizations aren't subject to the same evolutionary forces that have directed the evolution of all human groups and indeed groups of all species. Therefore, businesses that are able to cooperate most effectively would be expected to outcompete less cooperative organizations. Accordingly, positive organizational scholarship could be said to have the aim of increasing specialization and interdependence and/or overcoming the trust and communication barriers in an effort to create more cooperative

businesses that benefit from the evolutionarily advantageousness of eusociality and non-zero-sum relationships.

### **Higher Purpose**

An essential component of trust is a specialization at the group level whereby the group establishes a clear and unifying purpose to differentiate from other groups. In all known species that have achieved eusociality, the first step to its attainment has been cooperation to protect a persistent, defensible nest from enemies. The more elaborate the nest and the more resource-intensive it is to build, the more fiercely it will be defended (Wilson, 2012). While for most of evolution, this nest has been a physical structure, in today's world, a company's distinct and unifying purpose can serve as a common bond shared by the members that is worth fighting for. Symbolic vehicles like meanings, beliefs, language and stories are collective resources, which have the capability to bind together a community and create possibilities for collective action (Glynn & Watkiss, 2012). What is most important about having a nest to defend, whether that nest is physical or metaphorical, is to create a sense of "common cultural belonging and common destiny", where individuals feel that they have a shared fate (Wright, 2000, p. 236).

One way for a company to build its "nest" is to distinguish the stories, symbols, values and other collective resources that represent the company at its best as well as its best possible future. One way this can be done is through a "4D" appreciative inquiry process. In the discovery phase of the Appreciative Inquiry process, participants are asked to appreciate the best of what currently is and celebrate the positive core of the organization. Every living system has a positive core of potential that opens minds and nurtures relationships (Cooperrider, 2010). By celebrating this positive core, the Appreciative Inquiry process creates a sense of "common

cultural belonging.” Symbols can serve as a bridge across different temporal periods in order to maintain the positive core of the organization (Glynn & Watkiss, 2012). Humans are naturally drawn to groups for the evolutionary advantages as well as the identity and social meaning that it provides (Wilson, 2012). According to Aristotle, that which bonds us to one another is finding joy in the same things (Potkay, 2013). Some have even argued that the shared emotions created by shared stories and symbols are a prerequisite for cooperation since it engenders emotional understanding and identification with others (Hazy & Boyatzis, 2015). Further, there is a certain “joy of being” whereby seeing our interconnectedness with wider circles radiating out from our egocentric sphere can similarly promote joy through connection. Therefore, in a healthy system, as the group flourishes, so do the individuals (Potkay, 2013). The experience of wholeness brings out the best in human beings. It propels positively deviant performance by building empathy and encouraging individuals to recognize their interconnections while also feeling a responsibility to contribute to the whole. While Appreciative Inquiry is not explicitly about building trust, trust ensues from a group trying to accomplish ambitious goals together. Indeed, relationship building is a key to Appreciative Inquiry (Cooperrider, 2010). Thus, by creating a strong identity for what the group stands for, the group creates a “nest” worth defending, building trust and thus fostering the conditions for eusociality.

In addition to identifying and celebrating a positive core that creates a “common cultural belonging” worth defending, the dream phase of the Appreciative Inquiry process aims to create a “common destiny.” Interacting constructively depends on the consciousness of a future together (Browning, Morris, & Kee, 2012). Subsequently, in the design phase of the appreciative inquiry process, participants are invited to co-construct a possible future that leverages the strengths of the positive core (identified in the discovery phase) to move toward

their shared vision of the future (identified in the dream phase). The design phase focuses on idea generation and rapid prototyping. The most positive types of relationships tend to develop when people move beyond dialogue and into designing and building together (Cooperrider, 2012). An appreciative inquiry summit that invites all members of the organization to participate provides an environment that invites increased engagement and commitment (Cooperrider & Godwin, 2011) because all individuals have a voice and are engaged at all levels of the design process. Finally, the destiny phase focuses on sustaining the positive change and allowing for empowerment and continual adjustment (Cooperrider, 2010).

The appreciative inquiry process is a powerful way to develop a shared identity (Cooperrider, 2010). Individuals who share identities with others at work are more likely to perceive themselves as having strong social support, making them more resilient. Further, when the individual perceives their own identity to match with the organizational identity, they are more likely to cooperate within the organization (Caza & Milton, 2012). These overarching strategic aspirations provide a platform for the integration of the various competing agendas within an organization. In order to leverage the power of strategic paradox, these visions must be engaging and emotionally charged, while relying upon and compelling the contribution of each of these factions (Smith et al., 2012).

Collective emotion can fuel collective action, meaning and connection (Glynn & Watkiss, 2012). Connecting employees with those that benefit from their work can fuel this emotional connection to a higher purpose. For example, when fundraisers were exposed to a scholarship student that benefitted from their work, their motivation was elevated and their weekly revenue increased by over 400 percent (Grant et al., 2007). A company that embraces a higher purpose effectively differentiates itself from other companies while also fostering an

emotional connection that integrates its various stakeholders, helping to create a more cooperative and unified company.

### **Conscious Leadership and Conscious Culture**

With a nest having been attained, the second universal step toward eusociality is that members of groups divide labor in a way that sacrifices at least some of their personal interest to that of the group (Wilson, 2012). Thus, the processes of differentiation and integration within the group create a mutual reliance that both builds on and benefits from increased trust and communication. It serves a team well to have a representation of strengths in each domain, but while teams should be well rounded, each individual doesn't necessarily have to be (Rath & Conchie, 2008). While diversity among the members of a eusocial group increases its resilience, an increased diversity also makes it more difficult to communicate effectively and coordinate activities (Wilson, 2012). It then becomes the "the task of leadership ... to create an alignment of strengths so strong that it makes the system's weaknesses irrelevant" (Drucker, as quoted in Cooperrider, 2010).

### **Psychological Safety**

Focusing on strengths requires a certain level of trust. After all, when we focus on strengths and specialize, it forces us to balance that differentiation with a concurrent integration where we must rely on others in order to meet our needs in the areas of weakness that we have neglected. This integration requires that we trust those we are becoming interdependent with. Without trust, we may feel the need to focus on our weaknesses so that we are self-sufficient and don't need to depend on others (Wright, 2000). Diversity of expertise within a team can be a

potential barrier for collaboration, but when team members identify with each other and believe it is a safe environment, they are able to overcome their differences and their diversity is correlated with learning behavior and higher performance than in homogenous teams (Nembhard & Edmondson, 2012). Additionally, psychological safety can foster engagement by amplifying resources through an increased sense of vigor and a strengthened belief in the significance of one's work (Grant, 2007)

Psychological safety is an individual's perceived ability to show one's full self without fear of negative consequences to self-image, status or career. Dealing with fear requires intense emotional control, which takes away from an individual's ability to fully immerse themselves in work tasks (Rothbard & Patil, 2012). Since human evolution has been built upon increased cooperation in groups, our brains are wired to focus attention on assessing social surroundings. In fact, because social rejection could be disastrous to our survival, social threats came to be wired to activate the same areas of the brain as physical threats (Lieberman & Eisenberger, 2008). The threat response from social exclusion uses oxygen and glucose, diverting these nutrients from other parts of the brain, which diminishes analytic thinking, creativity and problem solving ability, which is detrimental not only to their own performance but the productivity of the organization as a whole (Eisenberger, Lieberman, & Williams, 2003). In the long-term, lack of social bonds are correlated with increased mortality risk (Holt-Lundstad, Smith & Layton, 2010). A weak social network has been shown to be as detrimental to health as smoking two packs of cigarettes per day (Holt-Lundstad et al., 2010).

One inherent challenge to psychological safety is that organizations naturally tend toward hierarchy due to a pervasive human striving for status that attempts to affirm one's worth in the group (Gruenfeld & Tiedens, 2010). The status differences created by hierarchy can lead to

feelings of inequality that diminish trust and undermine participation in the group (Uslander & Brown, 2005). This striving for status means that we are always conscious of our relative standing in the group. In particular, low status demands attentiveness to higher status individuals that control the fate of the low status individuals in the group. This vigilant attention to status and constant attempts to affirm value in the group leads to a chronic stress response that damages both cognitive performance and physical health (Dickerson & Kemeny, 2004). Conversely, signs that the group values us are central to wellbeing (Baumeister & Leary, 1995). Although there are likely individual differences in perceived psychological safety, these perceptions are similar among people who work closely together, proving the power of the organizational culture to influence perceptions of safety through shared contexts and experiences (Nemhard & Edmondson, 2012).

### **Beyond Safety Toward A Positive Culture**

Despite the toxicity of social isolation (Lieberman & Eisenberger, 2008) and status insecurity (Dickerson & Kemeny, 2004), creating a culture that cultivates individual flourishing and enables organizational thriving goes beyond merely removing the psychological threats in the environment (Herzberg, Mausner, Peterson, & Capwell, 1959). In fact, job satisfaction and dissatisfaction are affected by two different sets of factors and cannot be measured on the same continuum. The factors that were found to affect job dissatisfaction were related to working conditions, job security, psychological safety and extrinsic motivators such as salary and benefits. These were labeled “hygiene factors” or “deficit needs” to reflect their power to prevent negative outcomes (i.e. job dissatisfaction) but also their insufficiency for creating engagement and high performance (Herzberg et al., 1959). Meanwhile, the “motivation factors”



or “development needs” that were theorized to lead to positive outcomes included achievement, advancement, growth and the nature of the work itself (Herzberg et al., 1959).

Although this theory was highly controversial when it was first published, it has since been the basis for other frameworks of organizational development (Herzberg, 1987). While some of the details of Herzberg’s two-factor model have been amended when tested with empirical research (e.g. Gardner, 1977; Lundberg, Gudmundson, & Andersson, 2009), there does seem to be consistent evidence, especially within positive psychology research, that support the idea that dissatisfaction and satisfaction are not merely opposite ends of a single continuum. In fact, this theory might be said to foreshadow one of the main theoretical foundations of positive psychology, which states that merely minimizing depression and unhappiness is not sufficient to cultivate wellbeing (Seligman & Csikszentmihalyi, 2000). Further, at both the individual and societal level, an extrinsic motivator such as money only influences wellbeing to the extent that it allows for basic needs to be met, after which point more money is no longer correlated with higher wellbeing. Once basic needs are met, differences in wellbeing are more frequently due to more intrinsic factors such as social relationships or meaningful work (Diener & Seligman, 2004). Study of the innate tendencies, social contexts and motivation behind human actions reveals that three psychological needs—competence, autonomy and relatedness—drive human motivation (Deci & Ryan, 2002). These three driving forces of Self-Determination Theory enhance wellbeing and can be supported or thwarted by social contexts. Thus, they have important implications for creating a “Conscious Culture” that enables individual wellbeing while driving organizational performance.

**Competence**

The innate human need for competence emerges from our inherent drive for environmental mastery (Deci & Ryan, 2000; White, 1959). However, when our social status is in jeopardy, we shut down this process of learning and mastery due to the threat that failure could pose to our status (Spreitzer & Porath, 2014). This breeds a fixed mindset, in which individuals believe that their abilities are unchangeable. Under these circumstances, employees constantly feel the need to prove their worth, yet because they believe that their abilities are fixed, every situation becomes an ultimate measure of their ability, which makes failure especially daunting (Dweck, 2006). Alternately, those with a growth mindset believe that their abilities can be cultivated through practice. They tend to take a longer-term perspective, so that failures in the short-term are seen as part of the learning process that will benefit them in the long-term (Dweck, 2006). Importantly, those with a growth mindset value effort as the key to developing competence, while for those with a fixed mindset, effort is denounced because it signals a lack of “natural talent.” Instead, those with a fixed mindset believe that if they are truly talented, things should come easy to them. Adopting a growth mindset allows an individual to enjoy the process of building competence because they value what they are working towards regardless of the immediate outcome. Meanwhile, the fixed mindset is so outcome-focused as to create undue pressure and prevent enjoyment of the learning process (Dweck, 2006).

A leader has tremendous ability to influence an employee’s mindset and thus fulfill their need for competence. One way leaders can encourage a growth mindset is by setting goals that emphasize learning rather than performance. Studies show that those with a goal to perform at a certain level are more risk averse, less willing to experiment and less willing to try new strategies than those with a goal to learn (Dweck & Leggett, 1988). When individuals adopt a performance

goal, it facilitates a fixed mindset whereby their talents are unchangeable and thus a performance becomes an ultimate test of their ability. This understandably increases the pressure that they put on themselves to perform at a high level, which can become so overwhelming as to make them avoid even attempting to pursue the goal. Conversely, individuals with learning goals are more likely to adopt a growth mindset, which encourages experimentation and a comfort with failure that comes from knowing that failure is part of the learning process (Dweck, 2006).

In addition to the impact that a leader can have on the mindset of their employees through the goals they set, leaders that display fallibility themselves while also being open to new ideas are more likely to cultivate an environment where team members feel psychologically safe to experiment and fail (Nembhard & Edmondson, 2012). A manager's focus on team members' strengths can also be affirming and have a cascading impact on their psychological safety and performance. One study showed that when managers emphasized performance strengths, performance increased by 36.4%, yet when managers emphasized performance weaknesses, performance decreased by 26.8% (Biswas-Diener, Kashdan, & Minhas, 2011). Additionally, organizational teams can take a cue from sports teams to more frequently engage in practice. Opportunities to test methods and decisions in a low-risk practice setting can foster a willingness to experiment, yet organizational teams do not typically invest in practice of any kind (Nembhard & Edmondson, 2012).

Additionally, leaders can create a safe environment where employees are comfortable with failure by building trust through authentic leadership. Authentic leadership consists of four major components: awareness of one's strengths, feelings and values; unbiased, objective processing of information; acting in ways that are consistent with beliefs and values; and openness, truthfulness and transparency in one's relationships (Luthans & Avolio, 2003). In one

study, Jensen and Luthans (2006) found that employee perceptions of their leader's authenticity were the single strongest predictor of the employee's job satisfaction, organizational commitment and happiness with their work. Further, trust was found to partially mediate the relationship between authentic leadership, group citizenship behavior and group performance (Walumba, Luthans, Avey, & Oke, 2011). While acting in accordance with core personal values earns the trust of followers and leads to the emergence of authentic leadership, this relationship is further strengthened when the leader has self-transcendent values (e.g. social justice and equality) and positive other-directed emotions (e.g. gratitude and appreciation) (Michie & Gooty, 2005).

In addition to individual learning, learning at the organizational level provides a sustainable avenue toward high performance, especially in changing and uncertain environments (Edmondson, 2008). Teams must collaborate both internally and externally to leverage differentiated talents and integrate them toward a common goal. Teams that learn do so by experimenting frequently and embracing the failure that often results from this trial-and-error approach. However, when employees feel vulnerable and perceive risks associating with speaking up or failing, they will be hesitant to engage in these behaviors (Nembhard & Edmondson, 2012). There are three behaviors consistently associated with team learning. First, team members must speak up by asking questions, seeking feedback, talking about errors and discussing problems and concerns (Nembhard & Edmondson, 2012). Specifically, feedback that focuses on effort rather than ability builds a growth mindset that encourages team members to talk about errors and problems (Mueller & Dweck, 1998). Additionally, the best organizations encourage employees to proactively seek feedback rather than wait for it (De Stobbeleir & Ashford, 2012). When feedback is two-way, open, frequent and guided, it builds feelings of

competence. Further, when the feedback is positive, it energizes employees, yet even constructive feedback can garner an interest in improvement when it is provided in a supportive way (Spreitzer & Porath, 2012). Not only do these learning behaviors positively impact performance, but they also create more satisfying work environments (Nembhard & Edmondson, 2012).

Transparency can also facilitate a trusting environment that encourages a competence-building growth mindset. When information is shared, trust and respect are cultivated among employees and decision-making becomes more inclusive, leading to thriving both for employees and the organization as a whole as measured by workplace satisfaction, low turnover and high loyalty (Hoffman, Badiane, & Haigh, 2012). A positive work climate with a norm of transparency gives leaders greater situational awareness regarding what their followers think and feel, helping to lower the communication barrier and create a more cooperative team (Avolio & Mhatre, 2012). While status and hierarchy can damage psychological safety by making lower-status team members feel less certain of their value and thus less safe (Nembhard & Edmondson, 2012), transparency tends to level the knowledge gaps across groups and democratize information. This body of knowledge becomes a public good that is available to all regardless of their power or status and becomes akin to an “inoculation” against the disease that hierarchy can create (Browning, Morris, & Kee, 2012). Thus, psychological safety and transparency could be said to combat both the trust and communication barriers to eusociality (Wright, 2000), creating a more cooperative system that is more robust as a whole.

**Autonomy**

Self-determination theory recognizes an individual's actions as an interplay between intrinsic motivations that are based on core values and extrinsic motivations that are influenced by social contexts (Deci & Ryan, 2000). When outside influences create conflicts with intrinsic motives, the rationalization from negotiating the competing demands determines the extent to which an action is autonomous. When the rationale behind an action reflects core values, it is considered an autonomous action (Deci & Ryan, 2000). Actions that demonstrate autonomous motives have been shown to correlate with wellbeing (Sheldon, Ryan, Deci, & Kasser, 2004). More generally, the feeling of being in control is a powerful predictor of both physical and psychological health. Among the most well-known studies to explore this relationship is the so-called "Whitehall" study of British civil servants that found a rising risk of coronary heart disease (among other health factors) when employees did not experience enough control at work (Marmot, Bosma, Hemingway, Brunner, & Stansfield, 1997). The degree of control organisms can exert over a stressor determines whether that stressor will alter the organism's functioning (Mineka & Hendersen, 1985). When stress is viewed as inescapable or uncontrollable, it can be highly destructive to one's health (Donny, Bigelow, & Walsh, 2006).

Alternately, even a minor increase in perception of autonomy and control can have major positive effects on health. Nursing home patients—whose inability to care for themselves inhibits their autonomy in a largely inescapable way—were given a plant in their rooms and charged with taking care of the plant. Having a small measure of control over such details in their lives caused 93% of the patients to have improved health compared to 21% improvement for a control condition where patients were given plants that were cared for by nurses. The patients that were given autonomy saw benefits that went far beyond the 6-month study. In a

follow-up study 18 months later, the death rate for those given autonomy was half that of the control condition (Rodin & Langer, 1978).

In the fiercely competitive global marketplace, corporations face constant demands for ever-increasing efficiencies and profits. This relentless drive for growth has created an increased reliance on rules and incentives in an attempt to align worker behavior with company objectives (Schwartz & Sharpe, 2010). The catch is that the complexity of the highly interdependent economy creates perpetual change such that rules and incentives are either quickly outdated or not entirely applicable to the nuances of a situation. Not only does executing someone else's ideas stifle development (Schwartz & Sharpe, 2010), but rules create fewer opportunities for practicing judgment and exercising autonomy, which leads to poor decisions and creates self-fulfilling prophecies that induce leaders to believe that even more rules are necessary to keep workers in line. To thwart this vicious cycle, Schwartz & Sharpe (2006) call for a return to Aristotle's master virtue, *phronesis*, or practical wisdom, the art of knowing the right thing to do and having the will to do it. Practical wisdom is about knowing when to improvise and when to make exceptions to the rules. Perhaps most importantly, practical wisdom is a product of experience and cannot be taught but is instead learned by exercising autonomous judgment and learning from the consequences of those judgments (Schwartz & Sharpe, 2010). Leaders that cultivate the development of practical wisdom by giving employees autonomy will build companies best suited for long-term success amidst rising uncertainty and accelerating change.

Since a new employee couldn't be expected to perform optimally without experience, rules and incentives tend to be created to direct and control their behavior. While this may work in the short term, it suppresses learning and development (Schwartz & Sharpe, 2010). Instead, leaders should provide opportunities for practice and even failure. Often, it is through the

process of poor judgment, failure and subsequent feedback that we improve our future judgment and cultivate practical wisdom (Schwartz & Sharpe, 2010). In an unpredictable world, a decentralized system that relies on practical wisdom is more robust to uncertainty (Schwartz, 2004). Inherent in this paradigm shift is an increased level of trust. Leaders must trust that their employees will act in the best interests of the company when given the autonomy to make their own decisions. It is here that the presence of a unifying higher purpose is of utmost importance. Having a higher purpose creates a common cultural belonging that creates possibilities for collective action (Glynn & Watkiss, 2012) and makes individuals feel that they have a shared fate (Wright, 2000). When a higher purpose is present, the individuals that connect with that purpose willingly depart from pure self-interest to contribute to the whole (Thakor & Quinn, in review). Additionally, in order for a leader to be trusted by their employees, the leader must be the first one to exhibit trust (Mishra & Mishra, 2012). Therefore, by trusting employees enough to give them the autonomy to exercise practical wisdom, the organization will not only benefit from increased wisdom but also increased trust. Trust allows both individuals and collectives to manage interdependence more fluidly by reducing the need for formal contracts and agreements, permitting a highly flexible work environment that increases autonomy and enables the system to better manage complexity (Mishra & Mishra, 2012).

Also essential to this paradigm shift away from rules and toward practical wisdom is the need for reflective practice. Good professionals become adept at adjusting action to a particular context in order to achieve a particular aim. Often, they must rapidly re-evaluate a situation. For example, a salesperson might change their approach as they experiment and gain experience with different methods. Further, they might situationally change specific sales tactics as they learn more about a particular prospect. Similarly, leaders should be constantly re-evaluating and



adjusting their approach as they gain experience and learn more about each individual employee. In machine learning, computers are programmed to receive feedback from repeated trial and error and will eventually perform better than if they had been pre-programmed with a list of decision rules to follow. They may even end up outperforming the programmer (Schwartz & Sharpe, 2010). Employees given similar freedom for experimentation that reflect on results and feedback will develop their practical wisdom. Due to their adaptability to different contexts, they too are likely to outperform even the most well constructed rules. True practical wisdom is about doing the right thing, the right way, with this specific person in this situation (Schwartz & Sharpe, 2010). No rulebook could account for so many variables, nor could one be expected to commit such a book to memory, as it would inevitably be quite thick.

As Aristotle noted, virtues exist in between two vices (Melchert, 2002). Practical wisdom is no different. Therefore, a conscious leader must balance rules with freedom from rules. When freedom from rules is taken to the extreme, the self-determination that we claim to seek is no longer the freedom of choice but instead becomes the tyranny of choice. Too many options and a lack of constraints make decisions too taxing, diminishing wellbeing (Schwartz, 2000). Leaders should use practical wisdom to create cultural constraints such as values and norms that will sufficiently confine the number of choices without diminishing meaningful autonomy (Schwartz, 2000). Sometimes this may come in the form of “nudges” in which choices are set up in a way that encourages employees to take the course of action that is best for their wellbeing, but still allow for an autonomous decision. For example, when the default is set to automatically enroll employees in a 401k contribution, employees are encouraged, but not forced, to save (Thaler & Sunstein, 2009). Another way to create constraints that enable flourishing is to start with good moral rules or values as loose scaffolding and allow shared

experiences and stories create norms of behavior that fill in the gaps. This can be a productive strategy for a leader to balance autonomy and overwhelming choice, while ensuring that the culture enables flourishing and practical wisdom (Schwartz & Sharpe, 2010).

Creating a culture that eschews excessive rules and instead allows employees to cultivate practical wisdom will not only lead to flourishing employees, but also a thriving business. While so-called rational decisions are believed to be free from emotion, there can in fact be no wise judgment without emotion (Haidt, 2006). Emotion is a powerful impetus for creating action, which is why hearing the story of a single individual stirs more empathy than even the most jarring statistics. Rules make us wary of emotion and discourage the integration of thinking and feeling that defines empathy and creates a foundation for wise, moral decisions (Schwartz & Sharpe, 2010). In attempting to deny our emotions, rules subsequently attempt to separate us from a part of ourselves, not only diminishing our ability to make wise decisions, but also creating an artificial separation that prevents engagement. Traditional businesses have encouraged this separation from the emotional dimensions of life, yet Firms of Endearment embrace the entire individual. This is reflected in their stakeholders' fondness for the companies, which is often related to how the company makes them feel (Sisodia et al., 2007). Creating an environment where people are encouraged to embrace empathy, given the autonomy to cultivate practical wisdom through trial and error and surrounded by a culture that aligns with their values creates the coherence for both the employees and the company as a whole to flourish.

**Relatedness**

The psychological need for relatedness is the striving for a sense of connectedness and belonging with others (Deci & Ryan, 2000). Bonds made the difference between life and death for our ancestors, so love is a process of human evolution (Fredrickson, 2013). Even newborn babies arrive in the world hungry for connection with caring adults. Like babies, we were designed to love, and moments of positivity resonance are a vital nutrient of that love. Yet a precondition for such moments is a perception of safety. When we assess our circumstances as threatening or dangerous, love is not a possibility in that moment (Fredrickson, 2013). Instead, when individuals create a mutual reliance and shared fate through differentiation and integration, harming the other becomes unfavorable and even irrational for all parties. Therefore, when integration spreads, peace and cooperation proliferate (Wright, 2000). Creating a sense of shared interest also opens up the possibility for love (Fredrickson, 2013), which in turn builds high quality connections (Dutton, 2003). These conditions extend to create a virtuous cycle because love helps one to see beyond their self interest to become more aware of the needs and perspectives of others, further stretching their circle of concern (Fredrickson, 2013). Creating an environment of collective commitment to an inspiring higher purpose would ignite a sense of “felt mutuality,” cultivating empathy and concern for one another as a foundation of the respectful engagement that builds high quality connections (Stephens, Heaphy, & Dutton 2012).

Along with respectful engagement, high quality connections are characterized by task enabling, trust and play. When we identify others as part of our group, then by helping them we are also helping ourselves by making the group better off (Grant, 2013). A giver is one who helps others whenever the benefits *to others* exceed the personal costs (Grant, 2013). Outside the workplace, this behavior is quite common (Clark & Mills, 1993). We tend to act like givers

with spouses and friends, helping without keeping score. Yet in the context of business, far more would be classified as takers, which only help others when the benefits *to themselves* outweigh the personal costs, or matchers, which strive for an equal balance of giving and getting (Grant, 2013). When givers take on the tasks that are in the group's best interest, not necessarily their own personal interest, they signal that their primary goal is to benefit the group and end up earning the respect of collaborators (Grant, 2013). While matching behavior can be similarly beneficial, matching is ultimately inefficient because a matcher will only give to those who have already given to them (Grant, 2013). In the earliest days of capitalism, bartering was the only way to trade. In order to get goods that you needed from another individual, that individual had to need something that you had. When currency was invented, it created an explosion in non-zero-sumness by facilitating more efficient trade with any individual (Wright, 2000). The inefficiency of matching behavior is analogous to the inefficiency of bartering. Thus, early human tribes that embraced a giving rather than a matching culture were more likely to proliferate because giving behaviors such as sharing excess food with the group made the group as a whole more resilient (Wilson, 2012).

In purely zero-sum situations or win-lose interactions, giving is unlikely to pay off, but most of life isn't zero sum. In fact, when time horizons are extended, givers often succeed in the long run (Grant, 2013). Further, in today's interconnected world, relationships and reputations are more visible, which accelerates the success of both giving individuals (Grant, 2013) and conscious companies (Sisodia et al., 2014). While envy of another person's status or talent can create a threat response that inhibits growth and connection (Uslander & Brown, 2005), talented individuals who are also givers remove this tendency toward toxic envy and are instead appreciated for their contributions to the group (Kim & Glomb, 2010). In the terminology of

high quality connections, creating a giving culture where individuals help each other meet their needs and achieve their goals exemplifies task enabling (Dutton, 2003).

A leader has the potential for even more impact on the task enabling of their employees. Since givers are optimistic and trusting of others intentions, they are inclined to see the potential in everyone. Meanwhile, matchers make the mistake of waiting for signs of potential, while takers harbor doubts about others intentions and see any high potential candidates as threats (Grant, 2013). Expectations of high potential have been shown to become self-fulfilling prophecies. When teachers were told that certain students were “high potential,” teachers spoke more warmly to these students, gave them more challenging assignments and provided them with more feedback. These expectations for high performance became self-fulfilling despite the fact that the students had been randomly assigned as high potential (Jussim & Harber, 2005). In the military, a leader’s belief that certain trainees were high potential was similarly self-fulfilling despite random assignment (McNatt, 2000). Therefore, one would expect that a giver manager that sees potential in all their employees would cultivate high performing individuals and teams. Further, managers that design their employee’s jobs in such a way that employees are connected to the beneficiaries of their work and believe that their role provides opportunities to have an impact on others are in effect task enabling by cultivating prosocial motivation (Thompson & Bunderson, 2003).

Another way to build high quality connections is by injecting the relationship with a sense of playfulness (Dutton, 2014). Play evolved to promote complex social groups by fostering empathy, enabling participants to pick up on social signaling and practice engaging in normal social patterns. Effectively, play signaling can provide the basis of social trust (Brown & Vaughn, 2009). Respectful engagement, task enabling and play all require some level of trust,

which can be fostered through a shared group identity. Subsequently, these behaviors all contribute to a virtuous cycle of increasing trust among group members. This trust is the final component to building high quality connections (Dutton, 2003).

Building strong relationships has important implications for organizational success. Relationships play a critical role in fostering resilience at the collective level (Caza & Milton, 2012). The mere presence of others changes our perceptions of stressors to seem more manageable and even reduces our perceptions of physical pain (Gable & Gosnell, 2011). Our frequency of interaction with others has even been shown to improve cognitive functioning (Fredrickson, 2013). Support can act as a buffer that is built up during the good times to protect an individual when negative events inevitably arise. One way to forge this buffer is through capitalization, whereby merely telling others about positive experiences can amplify the event's impact on positive affect and wellbeing while also improving relationship intimacy and starting an upward spiral (Gable & Gosnell, 2011). However, we need not allow ourselves to be fully dependent on the support of others for our wellbeing. By being the one to offer support, we actually procure more benefit than those receiving it (Haidt, 2006). Further, even when we cannot physically be with others, we can condition our heart to be more open and loving by practicing loving kindness meditation (Fredrickson, 2013). While we can assume responsibility for enabling the conditions for our own flourishing through our dyadic relationships, we also have a remarkable ability to cultivate the potential for large groups to be sources of wellbeing.

When group members are exposed to common events and have a sense of shared fate, their moods and emotions tend to converge so that affect is shared across the group. When this shared affect is positive within a group, it has been shown to lead to increased cooperation and decreased conflict within the group (Rhee & Yoon, 2012). Although some groups may seem too

big to be influenced by a single individual, emotions can spread through a network quite effectively. One happy member of a team can change the mood of the entire team, which is significant given that one of the greatest predictors of team achievement is how team members feel about each other (Achor, 2010). Further, an individual's mood can be predicted not only by the moods of their direct connections, but also the moods of those as distant as their third degree connections. This gives each one of us tremendous power to impact the positivity of as many as 1,000 of the connections that fall within three degrees of us on our own network (Fowler & Christakis, 2008). Not only is there a primitive emotional contagion in which the instinctive mimicking of body language leads to shared affect, but on a more explicit level, the sharing of affective stories and symbols of a culture facilitates a further sharing of affect (Rhee & Yoon, 2012). An NBA coach's optimism is a reliable predictor for the optimism and subsequent resilience of the entire team (Rettew, Reivich, Peterson, Seligman, & Seligman, unpublished manuscript), while in the business realm, a leader's affect can spread in as few as seven minutes and can impact team performance (Sy, Côté, & Saavedra, 2005).

One might be inclined to dismiss the power of positive emotions. However, positive emotions not only broaden the awareness, attention and cognitive power of an individual, but also build long-term physical and social resources (Fredrickson, 1988). This "broaden and build" mechanism leads to virtuous cycles whereby positive emotions beget both desirable outcomes and more positive emotions, which continue to build over time in a virtuous cycle, buffering the individual from the detrimental impacts of future adversities (Fredrickson, 1988). A similar effect has been shown at the group level, whereby groups that share joy and happiness actively affirm and build upon each others ideas, building relational bonds among members and strengthening group identification, creating a "positive group affect spiral" (Rhee & Yoon,

2012). When individual engagement is combined with shared goals, identification with the group and patterns of interaction that support group-level outcomes, individual engagement creates better team coordination and higher team performance (Rothbard & Patil, 2012).

When companies have a higher purpose that could be said to be virtuous in that it produces both personal and social good, this positive upward spiral is amplified. Virtuousness is evolutionarily developed since it allows people to live in cooperative groups, pursue collective ends and keep the group secure from those that endanger the social order. Since virtuousness thus plays a role in the perpetuation of groups and evolution of humanity, it has come to be almost universally esteemed. Virtuousness further elevates positive emotions, facilitating employee commitment and cooperation, while cultivating high performance (Cameron & Winn, 2012). As psychological safety, autonomy, competence and relatedness combine to create self-reinforcing virtuous cycles, both individuals and organizations flourish.

### **Stakeholder Integration**

Organizations are “centers of human relatedness” that hold the potential to aggregate, intensify and radiate a positive influence that not only leads to the flourishing of the organization and its internal constituents, but also has the potential to foster flourishing of external stakeholders (Harquail & Brickson, 2012). A stakeholder is defined as any entity that is impacted by or can impact the organization, including both humans and non-humans such as animals or the planet. This interrelationship, whether direct or indirect, creates a level of common interest and shared fate among organizations and their stakeholders (Freeman, 1984). An organizational identity can have a positive influence on the flourishing of its stakeholders in two main ways. First, it can positively influence the stakeholder’s identity by directly promoting



positive self-evaluations through association with the organization. Additionally, it can create opportunities for stakeholders to behaviorally exhibit their identities, thus experiencing authenticity and enacting positively valued societal roles such as being community-oriented (Harquail & Brickson, 2012). Further, a positive organizational identity can impact the flourishing of the organization's stakeholders through contributions to their functioning by increasing their sense of connection, meaning and belonging. This can be true for internal stakeholders, who see their work as virtuous, as well as outsiders such as customers who might view their purchases as virtuous behavior (Harquail & Brickson, 2012).

Despite the potential for organizations to develop deep and mutually beneficial bonds with their stakeholders, the integration of distinct groups can often be challenging. For example, groups may find themselves in identity conflicts where they are locked in an ongoing cycle of mistrust and zero-sum thinking rooted in conflicting values and beliefs between groups (Pratt et al., 2012). This is a common occurrence when subgroups lose sight of overarching group goals, creating silos that foster zero-sum, win-lose posturing. Unfortunately, leaders sometimes encourage such identity conflict because the presence of an external threat can rally a group internally, leading to the proliferation of cooperation and non-zero-sum relationships within that group. For example, the external threat of war often makes a group recognize the insignificance of their internal differences, creating a strong national identity and encouraging in-group cooperation (Wright, 2000). Similarly, during group identity conflicts, group members feel quite positive about their own group membership, although it comes at the expense of tearing down the other group (Pratt et al., 2012). When groups lack respect for each other and define themselves as the opposite of the other group, this type of group identification is known as identity strength. In essence, these entities have differentiated, but are struggling to integrate. A

healthier group identification is that of identity security, whereby groups define themselves by their own positive traits rather than the absence of the negative traits of other groups (Pratt et al. 2012). To move toward integration, the group identity must shift from identity strength to identity security. Identity strength is negatively correlated with intergroup harmony, while identity security opens up the possibility for groups to hold dual identities; both with their own group and with a superordinate group that incorporates both conflicting parties (Pratt et al. 2012). For example, a design department that develops identity security would enable a designer in the department to adopt a dual identity to affiliate with the positive identity of the department, while simultaneously identifying with the company as a whole. Conversely, if the design department had identity strength in which the department was defined by its opposition to the engineers, a dual identity would not be possible and the organization would devolve into silos that preclude an organization from realizing its potential. Once a dual identity exists, however, further integration can occur through the creation of superordinate goals and a common vision to tie the entities together (Pratt et al. 2012). Once this integration is achieved within the organization, the organization may begin to recognize the benefits of creating similar relationships with other stakeholders such as suppliers or community members. Since wellbeing is rooted in the fairness of the contexts we find ourselves in (Prilleltensky et al, 2015), evolving organizations are likely to find that their wellbeing will be limited by the larger community and societal contexts and will realize that they have to engage with their stakeholders if they hope to influence these contexts.

Identity security is exemplified by a confidence in group membership and an awareness of the group's positive qualities as well as its limitations. It is also enhanced by a wisdom that allows for the retention of opposing ideas (Weick, 1988) such that one can recognize the group's distinctiveness as well as its commonalities with other groups. There is evidence that such

wisdom might be enabled by positive emotions. When individuals feel positive emotions, they tend to perceive out-group members similarly to the way they perceive in-group members (Johnson & Fredrickson, 2005). They are also more likely to share resources with out-group members and to recognize the superordinate group that allowed an integration of in-group and out-group, fostering a sense of oneness (Waugh & Fredrickson, 2006). Engaging in perspective-taking by imagining how other groups might identify your group can expand group members' sphere of attention and increase the chances for broadening one's investment beyond one's own group (Pratt et al., 2012). Additionally, inducing feelings of awe in which an individual feels the sense of something larger than themselves leads less stress (Stellar et al., 2015), more generosity toward others and more curiosity about the people around us (Rudd, Vohs, & Aaker, 2012). Thus, awe can be a powerful force for identity security and evolving consciousness. The more that a group has identity security, the higher the likelihood that members will also claim a superordinate identity (Pratt et al., 2012).

Importantly, intergroup harmony is not an end state but instead an ongoing pursuit of an idea that is continually enacted and celebrated. Since these conflicts represent a deeply worn groove in social relationships, groups must remain vigilant to avoid falling back into that groove. Unfortunately, when the conflict subsides on the surface, this vigilance is often relaxed and the groups are likely to fall back into conflict. Instead, they should validate each others' group on an ongoing basis and take opportunities to advocate for each others' needs (Pratt et al., 2009). By no means does this intergroup harmony mean an absence of conflict nor does this integration amount to assimilation. Instead, harmony aligns with the notion of "ambivalence as wisdom," which involves the evolutionarily favorable process of continued oscillation between opposing forces rather than an intermediate state (Weick, 1998). Although conflict and pain often bring

about readiness for attempts to resolve identity conflicts, this negative energy can add additional stress to an already stressed system. Alternately, leaders who can proactively create *positive* sources of readiness that emphasize opportunities for mutual gain are likely to create conditions for more meaningful and lasting change (Fiol, Pratt, & O'Connor, 2009).

Organizations that can successfully integrate with stakeholders challenge the current conception of the role of business in society. They create the potential to create cultural change both inside and outside the firm (Hoffman et al., 2012). They continue to challenge the mythical fixed pie and the traditional notions of win-lose relationships and zero-sum games. Unlike traditional organizations that seek to create barriers to entry, hybrid organizations encourage an emulation of their practices since it furthers their higher purpose and deep integration with all stakeholders (Hoffman et al, 2012). Mackey and Sisodia (2013) note that especially evolved Firms of Endearment come to see competitors as stakeholders that can help the company to learn and grow, and come to recognize emulation by competitors only as validation and furthering of the purpose of the company.

A field is said to be healthy when doing good is aligned with doing well (Haidt, 2006). The most recent financial collapse occurred when banks lost this alignment by forgetting their socially useful function of helping to raise capital to build businesses and instead focused solely on making money (Schwartz & Sharpe, 2010). In 1976, it was declared that the purpose of a firm was to maximize shareholder value, and yet real annual returns have declined ever since firms adopted this narrow focus (Sinek, 2014). When companies have a purpose beyond making profits, they not only have flourishing, engaged employees but also significantly outperform the market (Sisodia et al., 2007).

### **Conclusion**

As exemplified by the proliferation of hybrid organizations (Hoffman et al, 2012) and the sustainable positive deviance of Firms of Endearment (Sisodia et al., 2014), the evolution of these organizations through continued differentiation and integration creates positive outcomes for individual flourishing and organizational performance. Conscious leadership and culture that promote psychological safety (Nembhard & Edmondson, 2012) and cultivate autonomy, competence and relatedness (Deci & Ryan, 2000) unleash the potential of the people in the organization and build the foundations for overcoming the trust and communication barriers to enhanced cooperation within the organization (Wright, 2000). As this differentiation and integration generates sustainable organizational performance, it also fosters evolution through a recognition of the organization's interdependence with its stakeholders. Similar techniques can then be applied to promote trust and communication with stakeholders as identity conflicts are managed and superordinate groups are established (Hoffman, 2012). An organization's higher purpose allows it to differentiate from other organizations while simultaneously enabling integration through the creation of shared goals and a shared vision with an ever-expanding ecosystem of stakeholders.

It is essential to recognize that organizations and their identities are always "becoming." Whether by dramatic episodes or in an incremental, ongoing fashion, organizational identities continue to evolve (Harquail & Brickson, 2012). Stakeholders can advance their own positive identities by creating positive self-evaluations through their association with a valued organization and by enacting positively valued societal roles (thereby authenticating their sense of self) when they interact with the organization (Harquail & Brickson, 2012). Since stakeholder identities are often tied to organizational identities and stakeholders are likely to see identity

change as a threat, it is important for organizations to maintain elements of consistency by using language that describes the enduring elements (Harquail & Brickson, 2012) or positive core (Cooperrider, 2010) of the identity, while also transparently explaining changes as part of intentional growth or natural evolution (Harquail & Brickson, 2012). The perception of continuity allows stakeholders to experience a relationship with the organization that is dependable and trustworthy. Yet at the same time that stakeholders see identity change as a potential threat, they also want to see themselves as growing and evolving. Additionally, their wellbeing benefit from opportunities for their identity to grow and develop. Therefore, changes to organizational identity can make room for the reflection and self-renewal of the identities of stakeholders (Harquail & Brickson, 2012). Thus, organizations with an evolving consciousness can encourage the evolution of the consciousness of their stakeholders. Perhaps the fear behind an individual's identity change is even ameliorated by the support network created by the organization and its stakeholders, making growth seem less daunting and maybe even irresistible. When organizations evolve to recognize their interconnection with an ever-expanding group of stakeholders and also become sites of individual flourishing and evolution, possibilities for the future of business and humanity abound.

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